

ICBC Turkey Yatırım Menkul Değerler
Anonim Şirketi and Its Subsidiary
Condensed Consolidated Financial Statements
As at and for the Nine Month Period
Ended 30 September 2020

*(Convenience translation of the condensed consolidated
financial information and related disclosures
and footnotes originally issued in Turkish)*

*This report includes 30 pages of condensed
consolidated financial statements and their
explanatory notes.*

**ICBC Turkey Yatırım Menkul Değerler
Anonim Şirketi**

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ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Financial Position as at 30 September 2020

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise indicated)

		Reviewed	Audited
		Current Period	Prior Period
	Notes	30 September 2020	31 December 2019
Assets			
Current Assets			
Cash and cash equivalents	3	929.254.081	842.363.646
Financial investments	5	20.532.258	18.527.017
Trade receivables	4	110.281.403	56.907.128
- Due from related parties	4	306.712	309.244
- Other trade receivables		109.974.691	56.597.884
Other Receivables	6	2.435	3.290
- Other receivables		2.435	3.290
Prepaid expenses	6	316.934	6.895
Current period tax related assets	6	115.271	214.993
Total current assets		1.060.502.382	918.022.969
Non-current assets			
Financial investments	5	159.711	159.711
Other receivables	6	4.377.383	1.732.467
- Due from related parties		-	-
- Other receivables		4.377.383	1.732.467
Tangible assets	7	2.882.247	1.321.058
Intangible assets	7	499.803	236.975
Deferred tax assets	13	2.718.495	2.150.121
Total non-current assets		10.637.639	5.600.332
Total assets		1.071.140.021	923.623.301

The accompanying notes form an integral part of these condensed consolidated financial statements.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Financial Position as at 30 September 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated)

		Reviewed	Audited
		Current Period	Prior Period
	Notes	30 September 2020	31 December 2019
Liabilities			
Short term liabilities			
Short term liabilities		17.007.933	-
Trade payables	4	882.938.986	769.180.941
- Other trade payables		882.938.986	769.180.941
Payables relating to employee benefits	6	564.643	444.074
Short term provisions		1.967.353	2.082.891
- Employee benefits	11	1.823.263	1.953.725
- Other short term provisions	8	144.090	129.166
Tax and duties payable	6	2.919.906	2.415.369
Current period tax liability		1.699.384	1.647.341
Total current liabilities		907.098.205	775.770.616
Long term liabilities			
Long term provisions		2.503.703	2.316.016
- Employee benefits	11	2.503.703	2.316.016
Total non-current liabilities		2.503.703	2.316.016
Equity			
Paid in capital	12	76.000.000	76.000.000
Adjustments to share capital	12	31.279	31.279
Change in fair value of financial assets			
Other comprehensive income that will never be reclassified to profit or loss		(846.989)	(846.989)
- Actuarial loss related to pension plans		(846.989)	(846.989)
Restricted reserves		4.797.765	3.145.118
Prior period's profit		65.554.614	36.566.530
Net profit for the period		16.001.444	30.640.731
Total equity		161.538.113	145.536.669
Total liabilities and equity		1.071.140.021	923.623.301

The accompanying notes form an integral part of these condensed consolidated financial statements.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Financial Position as at 30 September 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notlar	Reviewed	Not Reviewed	Reviewed	Not Reviewed
		1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Statement of profit or loss					
Sales	15	164.292.808	4.758.322	159.837.599	64.613.989
Service income	15	34.675.767	10.475.075	42.203.312	11.591.073
Cost of sales (-)	15	(163.549.241)	(4.572.475)	(157.484.532)	(63.853.090)
Gross profit from operations		35.419.334	10.660.922	44.556.379	12.351.972
Interest income from operations		11.613.882	4.322.119	13.026.861	3.747.745
Gross profit		47.033.216	14.983.041	57.583.240	16.099.717
General administrative expenses (-)	16	(37.833.307)	(14.166.418)	(27.190.144)	(11.146.672)
Other operating income		33.260	6.723	433.084	359.102
Other operating expenses (-)		(342.547)	17.708	(151.340)	236.652
Operating profit		8.890.622	841.054	30.674.840	5.548.799
Financial income		12.215.433	6.675.419	7.818.696	1.063.169
Financial expenses (-)		(885.846)	934.522	(5.983.447)	(666.786)
Profit before tax from continuing operations		20.220.209	8.450.995	32.510.089	5.945.182
Tax income / (expense) from continuing operations		(4.218.765)	(1.777.285)	(7.255.012)	(1.073.607)
Current tax income / (expense)	13	(4.787.140)	(1.652.635)	(7.999.667)	(988.728)
Deferred tax income / (expense)	13	568.375	(124.650)	744.655	(84.879)
Profit from continuing operations		16.001.444	6.673.710	25.255.077	4.871.575
Profit for the period		16.001.444	6.673.710	25.255.077	4.871.575
Other comprehensive income		-	-	-	-
Changes in fair value reserves		-	-	22.613	22.176
Income tax relating to other comprehensive income		-	-	(4.975)	(4.879)
Other comprehensive income after tax		-	-	17.638	17.297
Total comprehensive income		16.001.444	6.673.710	25.272.715	4.888.872

The accompanying notes form an integral part of these condensed consolidated financial statements.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 September 2020

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise indicated)

	Notes	Paid in capital	Adjustment to share capital	Fair value reserves	Actuarial gains and losses related to pension plans	Restricted reserves	Prior year's profit or loss	Profit for the period	Total Equity
1 January 2019	12	76.000.000	31.279	(143.503)	(1.168.150)	2.143.656	16.087.671	21.623.824	114.574.777
<i>Corrections due to changes in accounting policies</i>		-	-	-	-	-	-	25.255.077	25.255.077
Profit for the period		-	-	-	-	-	-	-	-
Actuarial profit/(loss)		-	-	-	-	-	-	-	-
Change in fair value of financial assets available for sale		-	-	17.638	-	-	-	-	17.638
Total Comprehensive Income		76.000.000	31.279	(125.865)	(1.168.150)	2.143.656	16.087.671	46.878.901	139.847.492
Transfers to retained earnings		-	-	-	-	-	20.622.362	(20.622.362)	-
Transfers to reserves		-	-	-	-	1.001.462	-	(1.001.462)	-
Balance at 30 September 2019		76.000.000	31.279	(125.865)	(1.168.150)	3.145.118	36.710.033	25.255.077	139.847.492
1 January 2020	12	76.000.000	31.279	-	(846.989)	3.145.118	36.566.530	30.640.731	145.536.669
<i>Corrections due to changes in accounting policies</i>		-	-	-	-	-	-	16.001.444	16.001.444
Profit for the period		-	-	-	-	-	-	-	-
Actuarial profit/(loss)		-	-	-	-	-	-	-	-
Change in fair value of financial assets available for sale		-	-	-	-	-	-	-	-
Total Comprehensive Income		76.000.000	31.279	-	(846.989)	3.145.118	36.566.530	46.642.175	161.538.113
Transfers to retained earnings		-	-	-	-	-	28.988.084	(28.988.084)	-
Transfers to reserves		-	-	-	-	1.652.647	-	(1.652.647)	-
Balance at 30 September 2020		76.000.000	31.279	-	(846.989)	4.797.765	65.554.614	16.001.444	161.538.113

The accompanying notes form an integral part of these condensed consolidated financial statements.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Cash Flows
for the Period Ended 30 September 2020

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		Reviewed 1 January- 30 September 2020	Reviewed 1 January- 30 September 2019
	Notes		
A. Cash flows provided from operating activities		(29.519.367)	10.767.479
Profit for the period		16.001.444	25.255.077
Adjustments for profit / loss for the period		949.648	1.349.823
Adjustment for depreciation and amortization	7	1.232.788	315.290
Adjustment for expected credit loss	3	8.175.363	5.510.912
Adjustment for vacation pay liability	11	536.603	236.402
Adjustment for employee termination benefit	11	386.968	646.389
Adjustment for employee bonus		(476.554)	-
Other financial income (excluding foreign currency gain)		(11.613.882)	(12.406.430)
Other financial expense		342.547	(207.751)
Adjustment for derivative instruments		(1.852.950)	
Deferred tax expense / (income)		(568.375)	(744.656)
Current tax expense	13	4.787.140	7.999.667
Change in net working capital		(54.455.857)	(20.922.294)
Financial investments		(2.005.241)	(6.359.633)
Changes in trade receivables from related parties		2.532	82.579
Changes in other trade receivables		(53.366.177)	4.150.446
Changes in customer assets		(100.179.965)	(417.113.641)
Changes in other current assets		(3.280.136)	(727.698)
Changes in trade payables		113.758.045	406.959.108
Changes in other receivables		(8.995.123)	(4.643.798)
Changes in other liabilities and provisions	11	(199.281)	(280.265)
Employee termination benefits payment	11	(190.511)	-
Employee bonus payment		-	(2.989.392)
Cash flows from operating activities		7.985.398	5.084.873
Interests and commissions paid		(401.250)	(361.027)
Interests received		11.603.252	12.393.583
Taxes paid	13	(3.216.604)	(6.947.683)
B. Cash flows from investing activities		(2.631.046)	(192.990)
Cash flows from acquisition of tangible and intangible assets	7	(2.631.046)	(192.990)
C. Cash flows from financing activities		18.860.883	-
Changes in financial borrowings	10	17.007.933	-
Cash flows from payments		1.852.950	-
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences (A+B+C)		(13.289.530)	10.574.489
D. Effects of change in foreign exchange rate on cash and cash equivalents		2.375.437	-
Net increase/decrease in cash and cash equivalents (A+B+C+D)		(10.914.093)	10.574.489
E. Cash and cash equivalents at the beginning of the period		92.355.564	86.450.163
Cash and cash equivalents at the end of the period (A+B+C+D+E)		81.441.471	97.024.652

The accompanying notes form an integral part of these condensed consolidated financial statements.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
For the Period Ended 30 September 2020

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise indicated.)

1. Organization and operations of the Company

ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi (the “Company”), formerly Tekstil Menkul Değerler Anonim Şirketi, was established on December 5, 1996 and started its operations on January 10, 1997 by obtaining the operation certificate from Capital Market Boards of Turkey (“CMB”).

In the context of the decision number 561 taken at the Board of Director’s Meeting on 31 May 2016, the Company’s trade name has been changed and registered as “ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi” on 9 June 2016 at the Trade Registry Gazette.

The Company applied to renew certificate of authorities in accordance with Capital Market Law’s Communiqué numbered III-37.1 “Communiqué on Principles Regarding Investment Services, Activities and Ancillary Services” and Communiqué numbered III-39.1 “Principles of Establishment and Activities of Investment Firms”. As a result, the Company was authorized as “Broadly Authorized Intermediary Firm” as at 1 January 2016 according to Capital Market Law serial 6362.

The Company has the following certificates of authorization from Capital Markets Board of Turkey (“CMB”):

- Activity of execution of orders
- Activity of dealing on own account
- Activity of individual portfolio management
- Investment advisory activity
- Activity of intermediation for public offering
- Limited custody services

Investment services and activities

Investment services and activities regulated by the Communiqué and which may be executed with a prior authorization of the Board are as follows:

- a) Reception and transmission of orders in relation to capital market instruments,
- b) Execution of orders in relation to capital market instruments in the name and account of the customer or in their own name and in the account of the customer,
- c) Dealing on own account,
- ç) Individual portfolio management,
- d) Investment advice,
- e) Underwriting of capital market instruments on a firm commitment basis,
- f) Placing of financial instruments without a firm commitment basis,
- g) Operation of multilateral trading systems and regulated markets other than exchanges

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
For the Period Ended 30 September 2020

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise indicated.)

1. Organization and operations of the Company (continued)

Ancillary Services:

- a) Providing consultancy services regarding capital markets,
- b) Granting credits or lending and providing foreign exchange services limited to investment services and activities,
- c) Providing investment research and financial analysis or general advice concerning transactions in capital market instruments,
- ç) Providing services in relation to the conduct of underwriting,
- d) Providing intermediary services for obtaining financing by borrowing or through other means,
- e) Wealth management and financial planning,
- f) Conduct of other services and activities to be determined by the Board.

ICBC Turkey Bank A.Ş. owns 99.99% shares of the Company. The Parent Bank of ICBC Turkey Bank A.Ş. is Industrial and Commercial Bank of China Limited (“ICBC”). Headquarters address of the Company is Maslak Mahallesi Dereboyu/2 Caddesi No:13 34398 Sarıyer İstanbul. The Group has 98 employees as at 30 September 2020 (31 December 2019: 103).

The Company's interim condensed financial position statement dated 30 September 2020, the summary profit or loss statement for the interim period ended on this date and the other comprehensive income statement and the complementary footnotes of the financial statements were approved by the Board of Directors on 26 October 2020 and for publication. authorized. The general assembly and certain regulatory bodies have the power to change the financial statements after publication.

Information on subsidiary

Subsidiary of the Company, ICBC Turkey Portföy Yönetimi Anonim Şirketi (Formerly named as “Tekstil Portföy Yönetimi Anonim Şirketi”), was established on 21 July 2015. The Company and its subsidiary have been consolidated. The Company and its subsidiary are named as “the Group” as a whole.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
For the Period Ended 30 September 2020

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

2. Basis of presentation of financial statements

2.1. Basis of presentation

2.1.1. Accounting standards applied

The accompanying financial statements are prepared in accordance with the Communiqué numbered II-14.1, “Basis for Financial Reporting in Capital Markets”(“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013. According to the Communiqué, financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) which are published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). TFRS consist of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The financial statements are presented in accordance with the TAS Taxonomy published by the POA and the formats specified in the Financial Statements Examples and User Guidelines published by the CMB.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with annual consolidated financial statements.

These condensed consolidated interim financial statements as of 30 September 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019. The condensed consolidated interim financial statements should be read in conjunction with annual consolidated financial statements of the Group for the year ended 31 December 2019.

In preparation of the condensed consolidated interim financial statements of the Group, the same accounting policies and methods of computation have been followed as compared to the most recent annual financial statements as of 31 December 2019

2.1.2. The preparation of financial statements

The accompanying consolidated financial statements of the Group have been prepared in accordance with the provisions of the CMB's Communiqué II-14.1 published in the Official Gazette dated 13 June 2013 and numbered 28676.

2.1.3. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.1.4. Going concern

The Company prepared its financial statements according to going concern assumption.

2.1.5. Presentation currency

Financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the result and financial position are expressed in Turkish Lira (“TL”), which is the functional of the Group and the presentation currency of the Group

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
For the Period Ended 30 September 2020

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

2. Basis of presentation of financial statements *(continued)*

2.2. Summary of significant accounting policies

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position. This amendments are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023.

Covid-19 related rent concession (Amendments to TFRS 16)

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is issued by POA on 5 June 2020.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

the revised consideration is substantially the same or less than the original consideration;

the reduction in lease payments relates to payments due on or before 30 June 2021

no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Group shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
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For the Period Ended 30 September 2020

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

2. Basis of presentation of financial statements *(continued)*

2.2. Summary of significant accounting policies *(continued)*

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022

The changes that become effective as of January 1, 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to TFRS 3 - Definition of a Business

The application of the amendment in TFRS 3 did not have a significant impact on the consolidated financial statements of the Group.

3-) Amendments to TAS 1 and TAS 8 - Definition of Material

The application of the amendment to TAS 1 and TAS 8 does not have a significant impact on the consolidated financial statements of the Group Company.

4-) Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

The application of this amendment is not expected to have a significant impact on the consolidated financial statements of the Group .

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

Reference to the Conceptual Framework (Amendments to IFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

The Group/Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
For the Period Ended 30 September 2020

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

2. Basis of presentation of financial statements *(continued)*

2.2. Summary of significant accounting policies *(continued)*

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA *(continued)*

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

IASB developed amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Annual Improvements to IFRS Standards 2018–2020

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to IFRS Standards. This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

IFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

IFRS 16 Leases, Illustrative Example 13

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

IAS 41 Agriculture

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with IFRS 13.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
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(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

2.3 Significant accounting evaluations, estimates and assumptions

Preparation of the financial statements requires making estimates and assumptions that affect the amounts of assets and liabilities reported or the amounts of contingent assets and liabilities declared as of the balance sheet date, and the amounts of income and expenses reported in the relevant period. While these estimates and assumptions are based on management's best judgment and knowledge, actual results may differ from those estimates and assumptions. In addition, important accounting evaluations, estimates and assumptions that need to be specified are explained in the related notes.

There has been no change in the estimates and assumptions of the Group management, which are used in the application of the accounting policies used in the preparation of the interim condensed financial statements, compared to the period ended 31 December 2019.

3. Cash and cash equivalents

	30 September 2020	31 December 2019
Time deposit	902.416.991	836.256.531
Demand deposit	26.424.986	11.361.111
Receivables from money markets	8.628.000	2.376.000
Expected credit loss provision (-)	(8.215.896)	(7.629.996)
Cash and cash equivalents in statement of financial position	929.254.081	842.363.646
	30 September 2020	31 December 2019
Minus: Customer assets (*)	(856.017.876)	(755.837.911)
Minus: Interest accruals	(10.630)	(1.800.167)
Minus: Expected credit loss provision	8.215.896	7.629.996
Cash and cash equivalents in statement of cash flows	81.441.471	92.355.564

(*) Customer assets which consist of currently not directed customer investments as at 30 September 2020 and 31 December 2019, are recognized under the Group's deposit accounts although the Group does not have control on these accounts. Therefore, customer assets are not included within cash and cash equivalents in the statement of cash flows.

As at 30 September 2020, time deposit interest rates for TL are %9,25-%10,50 (31 December 2019: for TL are %10). The Group holds the time deposits in overnight and monthly accounts.

As at 30 September 2020 and 31 December 2019, the details of bank deposits are as follows:

	30 September 2020	31 December 2019
Time deposit - (ICBC Turkey Bank) (Note 15)	787.749.904	640.242.902
Time deposit account (other banks)	114.667.087	196.013.629
Demand deposit account – (ICBC Turkey Bank) (Note 15)	13.841.645	7.025.627
Demand deposit account (other banks)	12.583.341	4.335.484
Total	928.841.977	847.617.642

4. Trade receivables and payables

Short term trade receivables:

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	30 September 2020	31 December 2019
Receivables from margin trading customers	73.710.247	44.182.673
Receivables from TDE (Derivatives Market)	19.586.068	10.111.761
Receivables from costumers	15.841.788	2.295.898
Trade receivables from related parties	306.712	309.244
Doubtful trade receivables	162.484	162.484
Provision for doubtful trade receivables	(162.484)	(162.484)
Other trade receivables	835.914	6.878
Receivables from clearing houses abroad	674	674
Total	110.281.403	56.907.128

Short term trade payables:

	30 September 2020	31 December 2019
Payables to customers (*)	864.139.460	759.631.916
Other payables	18.799.526	9.549.025
Total	882.938.986	769.180.941

(*) Payables to customers, mostly consist of TDE collateral and costumers' receivables from money market.

5. Financial Investments

a) Current assets

	30 September 2020	31 December 2019
Financial assets measured at fair value through profit or loss	20.532.258	16.430.697
Government bonds	-	2.096.320
Total	20.532.258	18.527.017

	30 September 2020	31 December 2019
Financial assets measured at fair value through other comprehensive income		
Government bonds	-	2.096.320
Total	-	2.096.320

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5. Financial Investments (continued)

As at 30 September 2020 and 31 December 2019 the details of financial assets at fair value through profit or loss are as follows:

	30 September 2020	31 December 2019
	Carrying Value	Carrying Value
ICBC Turkey Portföy Yönetimi Investment Fund	20.498.747	16.414.725
Equity shares – Traded in stock exchange	33.511	15.972
Total	20.532.258	16.430.697

As at 30 September 2020 and 31 December 2019, the details of the debt instruments measured by reflecting FV difference to other comprehensive income are as follows:

	30 September 2020		31 December 2019	
	Amount	Effective Interest Rate	Amount	Effective Interest Rate
Government bonds	-	-	2.096.320	11,72%
Total	-		2.096.320	

	30 September 2020	31 December 2019
Equity investments		
Stock – Istanbul Stock Exchange (ISE) (*)	159.711	159.711
Total	159.711	159.711

(*)As at 30 September 2020 the Company’s share on capital of Istanbul Stock Exchange is 0,0377%. The nominal value of the shares held by the Company is 15.971.094 amounting to TL 159.711 (31 December 2019: TL 159.711).

6. Other receivables and payables

As at 30 September 2020 and 31 December 2019, the details of other receivables and payables are as follows:

Prepaid Expenses

	30 September 2020	31 December 2019
Prepaid Expenses	316.934	6.895
Total	316.934	6.895

As at 30 September 2020 and 31 December 2019, prepaid expenses mainly consist of licence taken from CMB, health insurance payments, payments for Investors Protection Fund and Turkish Capital Markets Association’s and Derivative Market’s annual contribution fees and rents.

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6. Other receivables and payables (continued)

Current tax assets

	30 September 2020	31 December 2019
Prepaid taxes	115.271	214.993
	115.271	214.993

Other short term receivables

As at 30 September 2020 and 31 December 2019, the details of short term other receivables are as follows:

	30 September 2020	31 December 2019
Receivables from personnel	2.435	3.290
	2.435	3.290

Other long term receivables

As at 30 September 2020 and 31 December 2019, the details of long term other receivables are as follows:

	30 September 2020	31 December 2019
Deposits given	4.377.383	1.732.467
Total	4.377.383	1.732.467

The amount consists of guarantees given by the Company to operate in TDE and Equity Capital Markets as at 30 September 2020 and 31 December 2019.

Current tax payables

	30 September 2020	31 December 2019
Taxes and duties payable	2.919.906	2.415.369
Total	2.919.906	2.415.369

Taxes and deductions to be paid consist mainly of tax deductions made on behalf of customers (withholding tax).

Payables for employee benefits

	30 September 2020	31 December 2019
Social security contribution payable	564.643	444.074
Total	564.643	444.074

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7. Tangible and intangible assets

The Group purchased tangible assets amounting to TL 2.631.046 TL for the nine month period 30 September 2020 (31 December 2019: TL 933.349) and TL 425.759 purchased intangible asset (31 December 2019 67.647) . For the period from 1 January 2020 to 30 September 2020, depreciation expenses for tangible assets amounts to TL 1.561.189 TL (30 September 2019: TL 289.944) and TL 262.828 (30 September 2019: TL 25.346) for intangible assets. As at 30 September 2020 and 31 December 2019, the Group does not have any pledges on tangible assets. The net carrying value of tangible assets as at 30 September 2020 is TL 2.882.247 TL (31 December 2019: TL 1.321.058) and net carrying value of intangible assets is TL 499.803 (31 December 2019: TL 236.975).

8. Provisions, contingent assets and liabilities

Short term provisions

As at 30 September 2020 and 31 December 2019, the details of other short term provisions are as follows:

	30 September 2020	31 December 2019
Other provisions	144.090	129.166
Total	144.090	129.166

The Group does not have any contingent assets or liabilities as of 30 September 2020 (31 December 2019: None).

9. Commitments

As at 30 September 2020 and 31 December 2019, the details of the letters of guarantee and promissory notes are as follows:

	30 September 2020	31 December 2019
CMB	1.776	1.776
Total	1.776	1.776

10. Short Term Borrowings

As at 30 September 2020 short-term debt follows (December 31, 2019: None.)

30 September 2020				
	Interest %		Original Amount	30 September 2020
TL	16%	Overnight	17.000.000	17.000.000
Credit interest				7.933
Toplam				17.007.933

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11. Employee benefits

As at 30 September 2020 and 31 December 2019, the details of the short-term employee benefits are as follows:

	30 September 2020	31 December 2019
Employee benefits		
Provision for unused vacation	1.783.853	1.437.761
Bonus provisions	39.410	515.964
Total short term provisions	1.823.263	1.953.725

Movement of provision for unused vacation is as follows:

	30 September 2020	31 December 2019
Opening balance	1.437.761	1.149.798
Payment during the period	(190.511)	(59.221)
Allocated provisions during the period	536.603	347.184
Balance at the end of the period	1.783.853	1.437.761

As at 30 September 2020 and 31 December 2019, the details of the long-term employee benefits are as follows:

	30 September 2020	31 December 2019
Provisions related to employee benefits		
Employee severance pay liability	2.503.703	2.316.016
Total long term provisions	2.503.703	2.316.016

Movements of provision for employee severance pay are as follows:

	30 September 2020	31 December 2019
Opening balance	2.316.016	2.179.085
Payment during the period	(199.281)	(176.634)
Service cost	211.951	309.426
Interest cost	226.065	296.513
Actuarial difference (*)	192.853	(401.451)
Layoff cost	(243.901)	109.077
Balance at the end of the period	2.503.703	2.316.016

(*) In the period actuarial gains / losses are not calculated.

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11. Employee benefits (continued)

Under the Turkish Labour Law, the Group is required to pay employment termination benefits to each entitled employee to receive such benefits. The applicable retirement pay provision ceiling as at 30 September 2020, is at maximum TL 7.117,00 (31 December 2019: TL 6.379,86), calculated based on total gross wages and other rights 30 day trial. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation and the retirement pay provision ceiling is revised semi-annually.

12. Equity

Share capital

As at 30 September 2020 and 31 December 2019, the capital structure is as follows:

	30 September 2020		31 December 2019	
	Amount	Share (%)	Amount	Share (%)
ICBC Turkey Bank A.Ş.	75.998.480	99,998	75.998.480	99,998
Other	1.520	0,002	1.520	0,002
Total paid in capital	76.000.000	100	76.000.000	100
Capital inflation adjustment differences	31.279		31.279	
Total	76.031.279		76.031.279	

As at 30 September 2020, the share capital consists of 7.600.000.000 shares having a nominal value of TL 0,01 each (31 December 2019: 7.600.000.000 shares having a nominal value of TL 0,01).

The Company has no preferred shares as at 30 September 2020 (31 December 2019: None).

Adjustment to share capital

The capital increases made by shareholders are adjusted with the inflation effect up to 31 December 2004 in accordance with the Communiqué XI-29 and as a result inflation adjustment amounting to TL 31.279 (31 December 2019: TL 31.279) is recognised.

Fair value reserves

Change in fair value of financial assets

None (31 December 2019: None).

Restricted reserves

At the Ordinary General Assembly Meeting of the Company held on 27 March 2020, the Company decided to transfer TL 1.652.647 of profit to legal reserves account; the remaining balance amounting to TL 28.988.084 amount was decided to be transferred to extraordinary reserves.

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13. Tax assets and liabilities

As per Article 32 of Law No. 5520 on Corporate Income Tax, which was published in the Official Gazette dated June 21, 2006 and numbered 26205, corporation earnings are subject to corporate tax rate of 20%.

The effective tax rate applied in 2020 is 22% (2019: 22%). According to the regulation numbered 7061, which is published in the Official Gazette on December 5, 2017, with the amendment made with "Some Tax Laws and Other Certain Other Laws" law; the corporate tax rate is set to be %22 for the years 2018, 2019 ve 2020. In addition, the Council of Ministers was authorized to reduce the rate of 22% to 20%.

Corporate tax in Turkey is calculated every three-month period and are accrued. The provisional tax rate to be calculated over the corporate earnings in the course of the taxation of corporate earnings in 2017 for the temporary tax periods is 20% (2016: 20%). With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020. The losses can be carried forward for a maximum of 5 years to be deducted from the taxable profit to be generated in the following years. However, losses can not be deducted retrospectively from profits from previous years.

A corporation or a permanent representative generating revenue in Turkey are subject to %15 withholding tax on dividends paid to on-resident institutions.

Transfer pricing is discussed under the title of "disguised profit distribution" through transfer pricing of Article 13 of the Corporate Tax Law. The details of the implementation in the "General Notification on Disguised Profit Distribution Through Transfer Pricing" published on November 18, 2007, have been identified.

If the taxpayers are involved in the purchase, sale or purchase of goods, services or goods that are not carried out within the scope of the precedent of comparability with the parties concerned, then the relevant profits will be considered to be implicitly distributed through transfer pricing. Disguised profit distributions done with this type of transfer pricing will not be deductible from the tax base in terms of corporation tax.

Companies report 20% advance tax on their quarterly financial profits and pay till the 10th day of the second month following that period and pay the 25th day until the evening. The temporary tax paid during the year belongs to that accounting period is deducted from the corporation tax that will be calculated over the tax declaration of the institutions to be given in the following year. If there is prepaid tax amount remaining in spite of the indictment, this amount can be refunded to the company or any other financial debt to the state can be deducted.

There is no procedure for a final agreement with the competent authorities about the tax in Turkey. Corporate tax declarations are delivered to the tax offices until the evening of the fifteenth day of the fourth month following the year in which they are concerned. However, the tax authorities may retroactively review the five-year accounting records and / or change their opinion on taxation.

According to Turkish tax legislation, financial losses shown on the tax return may be deducted from the period corporate income for not exceeding 5 years.

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13. Tax assets and liabilities (continued)

Current tax liability

The breakdown of income tax payable reflected in balance sheet as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Current tax provision	4.915.988	9.678.150
Advance taxes and funds paid in advance	(3.216.604)	(8.030.809)
Net	1.699.384	1.647.341

Deferred tax assets and liabilities

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit and its accounted for using the balance sheet liability method. Deferred tax liabilities or assets considered the tax rates prevailing at the reporting date is reflected in the accompanying financial statements.

If the changes in fair value of financial assets are recognised in profit or loss; current year corporate tax, deferred tax income/expense which are related to this change is also recognised in profit or loss. If the changes in fair value of financial assets are directly recognised in equity; tax effects which are related to this change is recognised in equity.

The Company’s deferred tax assets and liabilities as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020		31 December 2019	
	Accumulated temporary differences	Deferred tax assets/ liabilitiesi	Accumulated temporary differences	Deferred tax assets/ liabilitiesi
Provisions related to employee benefits	4.287.592	932.596	4.269.741	893.021
Provisions related to other liabilities and expenses	144.090	31.700	129.166	28.417
Expected credit loss provision (-)	8.215.893	1.807.497	7.629.996	1.678.599
Deferred tax assets	12.647.575	2.771.793	12.028.903	2.600.037
Tangible and intangible assets	(242.265)	(53.298)	(612.289)	(134.703)
Principal interest accrual to be collected	-	-	(1.432.789)	(315.213)
Deferred tax liabilities	(242.265)	(53.298)	(2.045.078)	(449.916)
Deferred tax net	12.405.310	2.718.495	9.983.825	2.150.121

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14. Related party transactions

In these financial statements, the shareholders of the Group and ICBC Group companies and all its subsidiaries having indirect shareholding relation with the Group are referred to as “related parties”.

	30 September	31 December
	2020	2019
Receivables from related parties		
Cash and cash equivalents		
-ICBC Turkey Bank A.Ş. - Main shareholder	801.591.549	647.268.529
Trade Receivables		
-Fund Management Commissions	306.712	309.244
Total	801.898.261	647.577.773

	1 January -	1 July -	1 January-	1 July -
	30 September	30 September	30 September	30 September
	2020	2020	2019	2019
Related Parties				
ICBC Turkey Portföy Yönetimi AŞ (gold fund, first variable fund, second variable fund, money market fund stock fund and fx fund) fund management fees	(1.653.750)	(583.549)	991.464	942.586
Interest income				
-ICBC Turkey Bank A.Ş.	1.013.703	341.944	620.431	186.249
Rent expenses				
-ICBC Turkey Bank A.Ş.	1.668.294	530.776	1.836.124	689.403
Building participation expenses				
- ICBC Turkey Bank A.Ş.	779.308	280.510	722.145	286.764
Commission expenses				
- ICBC Turkey Bank A.Ş.	600.144	203.023	305.631	-

Letters of guarantee received from related parties as at 30 September 2020 amounting to TL 1.776 (31 December 2019: TL 1.776).

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15. Nature and level of risks related to financial instruments

Capital management

The Company’s objectives during managing capital is to maintain an optimal capital structure in order to maintain Company’s operations that yields gain to its partners and benefits for other shareholders.

The Company follows its capital adequacy in accordance with the Communiqué Serial: V, No: 34 of the minimum core capital requirement of capital adequacy bases.

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Credit risk

Financial instruments contain an element of risk that the counterparties may be unable to meet the terms of the agreements. This risk is monitored in reference to credit ratings and managed by limiting the aggregate risk to any individual counterparty. Exposure to credit risk is also managed by obtaining collaterals in the form of listed equity securities.

	Receivables				Cash and cash equivalents	Financial investments
	Trade receivables		Other receivables			
	Related parties	Third parties	Related parties	Third parties		
30 September 2020						
Maximum credit risk exposure as at reporting date	306.712	109.974.691		2.435	929.254.081	-
The part of maximum risk under guarantee with collateral etc.						-
Net book value of financial assets that are neither past due nor impaired	306.712	109.974.691		2.435	929.254.081	-
Elements containing risk of off-balance-sheet credit	-	-	-	-	-	-
	Receivables				Cash and cash equivalents	Financial investments
	Trade receivables		Other receivables			
	Related parties	Third parties	Related parties	Third parties		
31 December 2019						
Maximum credit risk exposure as at reporting date	309.244	56.597.884	-	3.290	842.363.646	2.096.320
The part of maximum risk under guarantee with collateral etc.	-	-	-	-	-	-
Net book value of financial assets that are neither past due nor impaired	309.244	56.597.884	-	3.290	842.363.646	2.096.320
Elements containing risk of off-balance-sheet credit	-	-	-	-	-	-

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15. Nature and level of risks related to financial instruments (continued)

Foreign currency risk

The Group is exposed to foreign exchange risk through changes in foreign currency exchange rates and the exchange rates at the date of transaction and the exchange rates at the reporting date, while translating foreign currency denominated assets and liabilities into Turkish lira.

As at 30 September 2020 and 31 December 2019 the Group’s the foreign currency rates used in converting foreign currency denominated transactions into TL are given in TL as follows:

	USD Dollar	Euro	GBP	Chinese Yuan
30 September 2020	7,8080	9,1281	10,0309	1,1387
31 December 2019	5,9402	6,6506	7,7765	0,84545
30 September 2019	5,6591	6,1836	6.9487	0,78973

The following table as at 30 September 2020 and 31 December 2019, showing the TL denominated foreign currency assets and carrying amounts of debt held by the Group are summarized the exposure to foreign currency position.

Sensitivity to foreign currency

The table below shows the sensitivity of the Company against a 10% change in exchange rates. The amounts below represent the effect on profit or loss statement in the case of a 10% increase/decrease in exchange rates.

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
30 September 2020				
10% change of US Dollar against TL				
1- US Dollar net asset/liability	82.500.981	(82.500.981)	82.500.981	(82.500.981)
2- Hedged portion of USD amounts (-)	-	-	-	-
3- US Dollar net effect (1+2)	82.500.981	(82.500.981)	82.500.981	(82.500.981)
10% change of EURO against TL				
4- EURO net asset/liability	6.845.450	(6.845.450)	6.845.450	(6.845.450)
5- Hedged portion of EUR amounts (-)	-	-	-	-
6- EURO net effect (4+5)	6.845.450	(6.845.450)	6.845.450	(6.845.450)
10% change of GBP against TL				
7- GBP net asset/liability	1.460.618	(1.460.618)	1.460.618	(1.460.618)
8- Hedged portion of GBP amounts (-)	-	-	-	-
9- GBP net effect (7+8)	1.460.618	(1.460.618)	1.460.618	(1.460.618)
10% change of CNY against TL				
10- CNY net asset/liability	46.878	(46.878)	46.878	(46.878)
11- Hedged portion of CNY amounts (-)	-	-	-	-
12 - CNY net effect (10+11)	46.878	(46.878)	46.878	(46.878)
TOTAL (3+6+9+12)	90.853.927	(90.853.927)	90.853.927	(90.853.927)

(*) Includes profit/loss effect

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15. Nature and level of risks related to financial instruments (continued)
Sensitivity to foreign currency (continued)

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2019				
10% change of US Dollar against TL				
1- US Dollar net asset/liability	940.972	(940.972)	940.972	(940.972)
2- Hedged portion of USD amounts (-)	-	-	-	-
3- US Dollar net effect (1+2)	940.972	(940.972)	940.972	(940.972)
10% change of EURO against TL				
4- EURO net asset/liability	75.656.557	(75.656.557)	75.656.557	(75.656.557)
5- Hedged portion of EUR amounts (-)	-	-	-	-
6- EURO net effect (4+5)	75.656.557	(75.656.557)	75.656.557	(75.656.557)
10% change of GBP against TL				
7- GBP net asset/liability	1.760.466	(1.760.466)	1.760.466	(1.760.466)
8- Hedged portion of GBP amounts (-)	-	-	-	-
9- GBP net effect (7+8)	1.760.466	(1.760.466)	1.760.466	(1.760.466)
10% change of CNY against TL				
10- CNY net asset/liability	-	-	-	-
11- Hedged portion of CNY amounts (-)	-	-	-	-
12 - CNY net effect (10+11)	-	-	-	-
TOTAL (3+6+9+12)	78.357.995	(78.357.995)	78.357.995	(78.357.995)

(*) Includes profit/loss effect

Fair value of financial instruments

The fair value of financial assets and liabilities are determined as follows:

First level: Registered (unadjusted) prices of identical assets or liabilities in active markets.

Second Level: Data which can be observed by directly (through prices) or indirectly (derived from prices) and which excludes the registered prices described in first level.

Third level: Data that is not based on observable market data related to assets and liabilities (non-observable data).

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15. Nature and level of risks related to financial instruments (continued)

Fair value of financial instruments (continued)

Fair value classification of assets and liabilities which are measured over their fair values is as follows:

Financial assets	30 September 2020	Fair value level as at reporting date		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss	20.532.258	20.532.258	-	-
Total	20.532.258	20.532.258	-	-

Financial assets	31 December 2019	Fair value level as at reporting date		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss	16.430.697	16.430.697	-	-
Financial assets measured at fair value through other comprehensive income	2.096.320	2.096.320	-	-
Total	18.527.017	18.527.017	-	-

16. Events after reporting period

None